AR43

Canada and Dominion Sugar Company Limited

Annual Report

for the year
ended September 30

1972

CANADA AND DOMINION SUGAR COMPANY LIMITED
AND SUBSIDIARY COMPANIES

To the shareholders:

Consolidated net income for the six months ended March 31, 1972 totalled $831,290 or $0.54 per share, compared to $1,677,142 or $1.08 per share in the same period last year — a decrease of $845,852 or $0.54 per share.

The decrease in profits resulted from three factors:

—In the current year, no dividends have been received from affiliated companies; by this date in 1971 dividends amounted to $425,500. Dividends from affiliates are not declared regularly. Despite foreign exchange problems it is expected a dividend will be forthcoming in the second half of this year.

—Labour difficulties in the Toronto Redpath refinery at the beginning of this fiscal year, resulted in loss of sales and higher costs of distributing and storing sugar.

—Current high "world" prices for raw sugar brought into operation article 30 of the International Sugar Agreement in mid January. Under this article Canada's traditional suppliers are committed to offer raw sugar at a fixed "Supply Commitment Price". On January 20th the Canadian refined sugar price was reduced by $1.60 per hundred pounds to reflect these lower raw sugar prices. At that time Redpath had a quantity of sugar received in 1971 but still unpriced. These sugars were not subject to the supply commitment regulations and had to be priced at full world market price levels. As the selling price of the related refined sugar was based on the lower Supply Commitment Price, Redpath had to absorb this excess cost.

As has been explained in previous reports, it is Redpath's policy to avoid exposure to market risks by maintaining a fixed quantity of raw sugar equivalent at a fixed price and to hedge in the commodity market any quantity fluctuations, but so long as Canadian sugar prices are based on other than free market prices, it is impossible for Redpath to hedge. In order to secure a supply of sugar offered at the Supply Commitment Price, Redpath is obliged to purchase sugar substantially in advance of requirements, and while it continues to be company policy to avoid market risks it has been necessary, on a temporary basis, to assume a risk on these priced sugars.

The various expansion projects previously announced in the Construction Materials Division are proceeding on schedule and operating profits are satisfactory.

Despite the various problems currently being experienced by Redpath it is anticipated that C & D's annual profits in 1972 will approximate those in 1971.

On behalf of the Board,

Saxon Tate.

Montreal, Quebec.
May 4, 1972

SAXON TATE
Managing Director

CANADA AND DOMINION SUGAR COMPANY LIMITED
ET SES FILIALES

Aux actionnaires :

Le bénéfice net consolidé pour les six mois terminés le 31 mars 1972 se chiffre à $831,290 ou $0.54 par action, comparativement à $1,677,142 ou $1.08 par action pour la même période l'an dernier — une diminution de $845,852 ou $0.54 par action.

Cette diminution des profits provient de trois facteurs :

—Durant l'année courante, aucun dividende n'a été reçu de compagnies affiliées; à cette date en 1971 ces dividendes s'élevaient à $425,500. Les dividendes de compagnies affiliées ne sont pas reçus régulièrement. En dépit des difficultés de change étranger nous comptons recevoir un dividende dans le second semestre de l'année.

—Des difficultés de relations de travail éprouvées au début de l'année fiscale à la raffinerie Redpath de Toronto ont résulté en une perte de vente ainsi qu'à des coûts de distribution et d'entreposage plus élevés.

—La hausse du prix mondial du sucre brut a occasionné l'entrée en vigueur de l'article 30 de l'accord international sur le sucre à la mi-janvier. Sous cet article, les fournisseurs traditionnels au Canada doivent offrir le sucre brut au prix formellement consenti. Le 20 janvier, le prix du sucre raffiné canadien a été réduit de $1.60 le 100 livres afin de refléter cette diminution de prix. A cette date, Redpath avait en inventaire une quantité de sucre reçu en 1971 mais dont le prix d'achat n'était pas encore fixé. Ces sucres n'étaient pas sujets aux ordonnances du prix formellement consenti par les fournisseurs et ce prix a dû être fixé aux niveaux du marché mondial. Puisque le prix de vente de ce sucre raffiné était basé à ce prix consenti, inférieur au prix du marché mondial, Redpath a dû absorber l'excédent de ce coût.

Tel qu'expliquer dans les rapports précédents, la politique de Redpath est d'éviter de s'exposer aux risques du marché en maintenant une quantité fixe de sucre brut à un prix fixe et en couvrant toutes fluctuations de quantité sur le marché des denrées. Cependant tant que les prix du sucre canadien seront basés sur des prix autres que ceux du marché libre mondial, il sera impossible pour Redpath de couvrir sa position. Afin d'assurer l'approvisionnement du sucre offert aux prix formellement consenti par les fournisseurs, Redpath doit acheter ses sucres bien à l'avance de la demande. Même si la politique de la compagnie est de continuer d'éviter les risques du marché, il a été nécessaire, temporairement, d'assumer un risque sur ces sucres.

Les divers projets d'expansion de la Division des Matériaux de Construction annoncés précédemment se poursuivent selon les prévisions et les profits d'opération sont satisfaisants.

En dépit de plusieurs problèmes éprouvés présentement par Redpath, il est prévu que les profits annuels de C & D en 1972 seront approximativement les mêmes que ceux de 1971.

Au nom du conseil d'administration,

Saxon Tate.

Montréal, Québec,
le 4 mai 1972.

SAXON TATE
Directeur Général

AR43

INTERIM REPORT

FOR THE SIX MONTHS ENDED
MARCH 31, 1972

CANADA AND DOMINION SUGAR COMPANY LIMITED

RAPPORT INTÉRIMAIRE

POUR LES SIX MOIS TERMINÉS
LE 31 MARS 1972

SUCRE Redpath SUGAR

CANADA AND DOMINION SUGAR COMPANY LIMITED
AND SUBSIDIARY COMPANIES / ET SES FILIALES

DAYMOND

INTERIM CONSOLIDATED STATEMENTS (UNAUDITED)
for the six months ended March 31, 1972

RAPPORT FINANCIER INTÉRIMAIRE CONSOLIDÉ (NON VÉRIFIÉ)
pour les six mois terminés le 31 mars 1972

	1972	1971	
INCOME			**ÉTAT DES BÉNÉFICES**
Sales	$43,957,371	$36,403,955	Ventes
Dividends from affiliates	—	425,500	Dividendes provenant de compagnies affiliées
	43,957,371	36,829,455	
Deduct			Moins
Cost of sales, selling and administrative expenses	41,937,322	33,343,967	Coût des ventes, frais de ventes et d'administration
Interest on long-term debt	95,278	102,931	Intérêts sur la dette à long terme
Other interest	256,481	186,415	Autres intérêts
	42,289,081	33,633,313	
Income before taxes	1,668,290	3,196,142	Bénéfice avant impôts
Taxes on income	837,000	1,519,000	Impôts sur le revenu
Net income for the period	$ 831,290	$ 1,677,142	Bénéfice net de la période
Earnings per share	$0.54	$1.08	Bénéfice par action
SOURCE AND USE OF FUNDS			**PROVENANCE ET UTILISATION DES FONDS**
Source of funds			Provenance des fonds
Operations			Opérations
Net income for the period	$ 831,290	$ 1,677,142	Bénéfice net de la période
Depreciation and amortization	1,164,777	908,367	Amortissement
	1,996,067	2,585,509	
Disposal of fixed assets	125,007	65,780	Disposition d'immobilisations
Decrease in working capital	1,629,758	(179,860)	Réduction du fonds de roulement
	$ 3,750,832	$ 2,471,429	
Use of funds			Utilisation des fonds
Additions to fixed assets	$ 2,059,627	$ 624,911	Additions aux immobilisations
Investment in affiliated companies	—	379,737	Investissements dans des compagnies affiliées
Purchase of other investments	154,452	(124,947)	Achat d'autres investissements
Payment of dividends	1,395,000	1,395,000	Dividendes versés
Retirement of long-term debt	141,753	196,728	Réduction de la dette à long terme
	$ 3,750,832	$ 2,471,429	

Five Year Review

(Dollars in thousands except per share amounts)

Income	**1972**	1971	1970	1969	1968
Income before taxes (Includes extraordinary item in 1971 and 1970)	**$ 7,255**	$ 8,065	$ 8,297	$ 8,479	$ 8,151
Taxes on income	**3,300**	3,725	3,250	3,600	3,650
Net income	**3,955**	4,340	5,047	4,879	4,501
Per Share	**2.55**	2.80	3.26	3.15	2.90
Dividends paid	**2,790**	2,790	2,635	2,635	2,170
Per Share	**1.80**	1.80	1.70	1.70	1.40
Financial Position					
Working Capital	**10,944**	12,574	13,669	15,356	16,273
Property, plant and equipment	**62,448**	58,632	54,447	52,878	51,616
Accumulated depreciation	**27,743**	25,719	23,155	21,880	20,674
Long-term debt	**3,337**	3,730	4,061	5,520	5,645
Deferred income taxes	**6,860**	6,550	6,800	7,500	8,900
Shareholders' equity	**49,169**	48,004	46,454	44,042	41,798
Per Share	**31.72**	30.97	29.97	28.41	26.97

Canada and Dominion Sugar Company Limited

Head Office
Chatham, Ontario

Executive Offices
1720 Canal Street
Montreal 104, Quebec

Directors

Hon. Louis P. Beaubien
Montreal, Quebec
Director
The Empire Life Insurance Company

James M. Ferguson
San Francisco, California
President
Pacific Molasses Company

Hon. G. B. Foster, Q.C.
Montreal, Quebec
Counsel
Foster, Leggat, Colby & Rioux

C. F. Harrington
Montreal, Quebec
Chairman
The Royal Trust Co.

R. L. Henry
Montreal, Quebec
Executive Vice President
Wire Rope Industries of
Canada Limited

Colin Lyle
London, England
Director
Tate & Lyle, Limited

J. H. Magee
Montreal, Quebec
President
Redpath Sugars Limited

M. D. Oliphant
London, England
Director
Tate & Lyle, Limited

W. H. Punchard
Chatham, Ontario
Company Director

N. M. Shaw
Montreal, Quebec
President
Canada and Dominion
Sugar Company Limited

David A. Tate
London, England
Director
Tate & Lyle, Limited

H. S. Tate
Hamilton, Bermuda
Director
Tate & Lyle, Limited

Officers

Hon. G. B. Foster, Q.C.
Chairman

M. W. Davidson
Vice President

R. R. Porteous
Vice President

J. E. Wood
Secretary

N. M. Shaw
President

J. H. Magee
Vice President

R. G. Brownridge, C.A.
Treasurer

Shareholders' Annual Meeting

The annual meeting of the shareholders will be held in Montreal at the Queen Elizabeth Hotel on Tuesday, January 9, 1973 at 11:30 a.m. E.S.T. Following the meeting, a buffet luncheon will be served.

On peut se procurer l'édition française de ce rapport en écrivant au secrétaire de Canada and Dominion Sugar Company Limited, C.P. 490, Montréal 101, Québec.

Report of the Board of Directors

Net income for the year ended September 30, 1972 amounted to $3,955,000, or $2.55 per share, on sales of $103,247,000. This compared with $4,340,000, or $2.80 per share, on sales of $85,018,000 the previous year. As was forecast in the nine-month report to shareholders, the fourth quarter earnings were good in all areas of operations with the result that overall earnings for the year are down from last year by only 9 per cent whereas at the end of June the comparable decline was 38 per cent.

The substantial increase in the dollar value of sales is a result of higher refined sugar prices, and increased sales volume from construction materials. Higher refined sugar prices are directly related to increased costs for raw sugar, a factor over which the Company has no control.

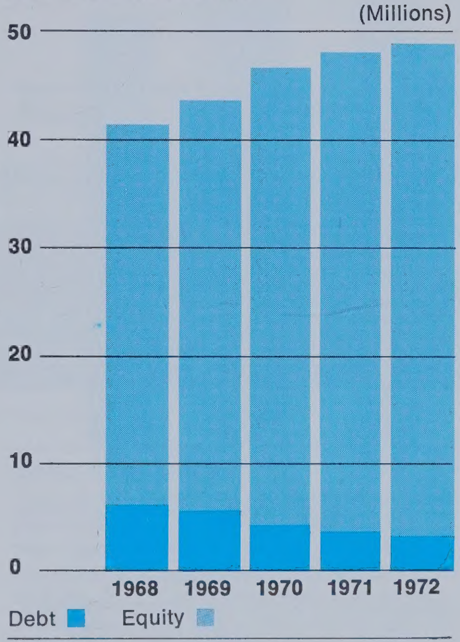
Profits from sugar and related operations in 1972 were adversely affected by problems associated with the buying of raw sugar, plus the U.K. decision to float the value of the pound sterling. Were it not for these losses, both of which were caused by external conditions, 1972 results would have exceeded those attained in 1971. A partial offset was obtained from increased profits in construction materials.

During the year, the Company continued to pay dividends at the quarterly rate of 45 cents per share.

Increased demand for the companies' products have resulted in a number of new plants. Gienow Limited in Calgary and Multi Fittings Limited (formerly Anvil Plastics) in London, have moved into new facilities. Certain-teed/Daymond completed two plants, one in New York and the other in Illinois. Daymond Limited has an additional factory under construction at Baie d'Urfé on the west end of the Island of Montreal. New equipment was installed by Daymond in its Calgary and Centralia plants. Redpath Sugars also commenced construction of a new liquid sugar installation in Chatham to replace the old facilities. This is scheduled for completion in late December.

Additions to fixed assets in 1972 totalled $4,927,000 of which $933,000 relate to sugar refining, $3,927,000 to construction materials, and $67,000 to other products. Estimated capital expenditures in 1973 amount to $4,700,000 of which approximately $1,000,000 had been committed in September 30, 1972.

SHAREHOLDERS' EQUITY
AND LONG TERM DEBT



Further details regarding the Company's program of diversification are included in the section of this report entitled "Growth Through Diversification".

A by-law was recently enacted by the Board of Directors providing that the name of the Company be changed to REDPATH INDUSTRIES LIMITED. The by-law will be submitted to the shareholders at a special general meeting, held in conjunction with the annual meeting. This continues an association, dating from 1854, of our Company with the Redpath name. Redpath Industries Limited will more appropriately indicate the diversified interests of this growing Corporation.

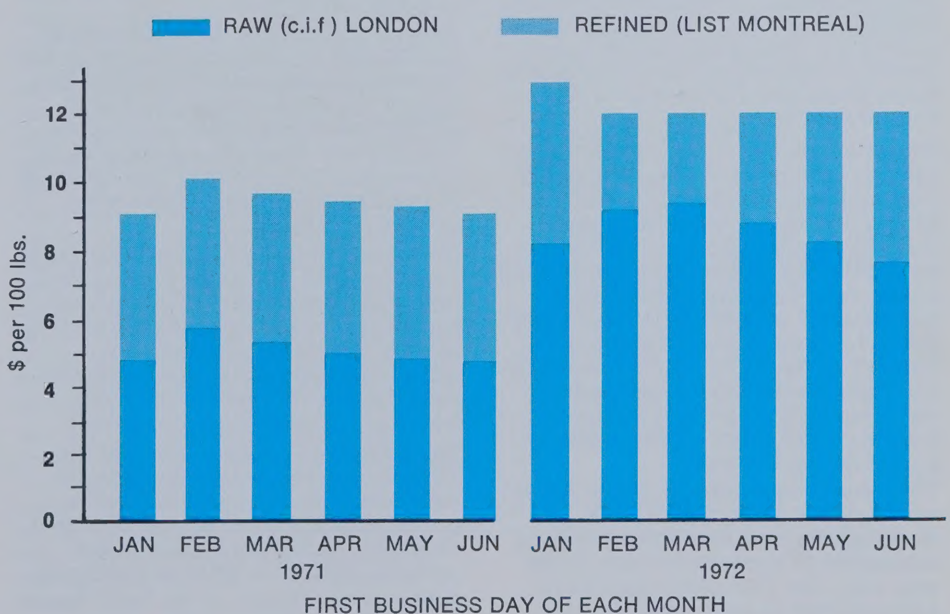
On October 1st the Company announced the appointment of Neil M. Shaw as president and chief executive officer. Mr. Shaw, formerly president of Daymond Limited and Multi Fittings Limited, as well as a vice-president of Canada and Dominion Sugar Company Limited, succeeds Mr. H. S. Tate who has assumed an executive position with Tate and Lyle in England. The Company now operates with a totally Canadian management team.

SUGAR OPERATIONS

Redpath Sugars Limited

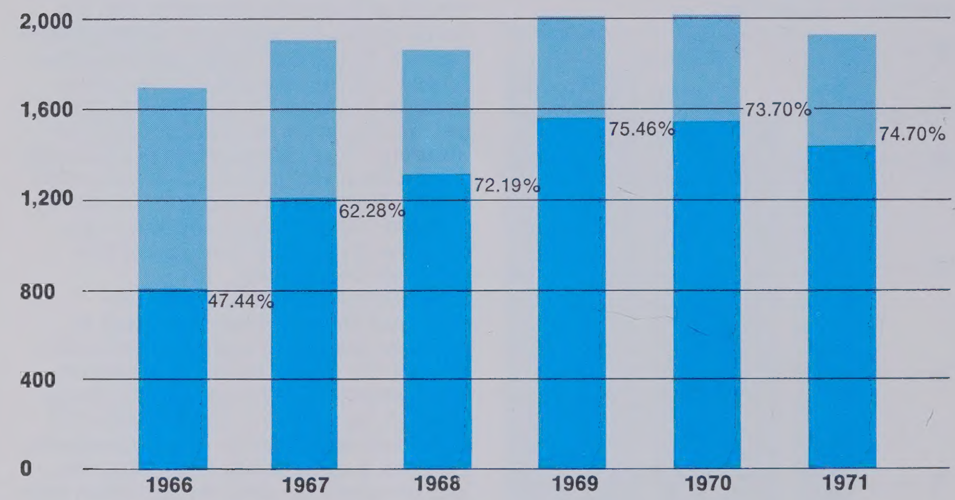
During 1972, Redpath Sugars Limited faced difficult conditions in the world raw sugar market, brought about by a global shortage. There are indications that this shortage could continue for some years.

RAW CANE & REDPATH REFINED SUGAR PRICES



From February to June of 1972, refined prices were lower than they would have been if raws had been bought on the free world market. This was because of the maximum raw prices established under the International Agreement.

PERCENTAGE OF TOTAL CANADIAN RAW SUGAR IMPORTS
Provided by Australia, Fiji, Mauritius and Natal
(Source — Statistics Canada)
(Totals in Millions of Pounds)



Steadily rising raw prices during the first quarter of the fiscal year brought into operation, in mid-January, Article 30 of the International Sugar Agreement. Under this article, Canada's traditional raw sugar suppliers were committed to offer raw sugar at a fixed "Supply Commitment Price", which was then and is now lower than the price on world markets. This allowed Canadian sugar refiners, including Redpath, to sell refined sugar to consumers and the Canadian food processing industry at prices considerably below those which otherwise would have prevailed.

Implementation of Article 30 from mid-January to the end of June, and again from mid-August until the date of writing this report, required Redpath to make a major revision in the Company's traditional raw sugar purchasing policy. With Canadian refined sugar prices based on other than free market prices for raws, it is difficult for Redpath to hedge its purchases so the Company has had to accept greater risks than policy normally dictates. Losses on raw sugar trading were incurred during the year.

The present International Sugar Agreement expires at the end of 1973. Negotiations for a new agreement are scheduled to commence early in the new year. Our Company has always believed that an international sugar agreement is in the long-term interests of Canadian consumers, but it may produce, in its present form, trading problems for a Canadian refiner.

Redpath normally uses the London Terminal Sugar Market for its hedging operations. The decision by the U.K. Government to float the pound resulted in a currency exchange loss on Redpath's open positions when converted to Canadian dollars.

As indicated in Note 1 to the financial statements, the Company carries a fixed inventory or basic stock of 50,000 long tons of raw sugar at a fixed price of \$78 per ton. Sugars held in excess of this quantity, mostly to satisfy forward contracts with customers, are valued at current values which are presently about \$180 per ton.

Notwithstanding difficulties in currency exchange and raw sugar trading, Redpath had a good year in sales volume. Higher than expected sales in the fourth quarter resulted in the Company attaining a satisfactory sales volume even though the year started badly with a strike at the Toronto refinery.

Recently the Company reduced the Toronto base price for refined sugar by 20¢ per 100 lbs., making Toronto prices identical with those at Montreal. This will result in annual savings of some \$1,500,000 to Ontario customers.

Although the Report of the Tariff Board on Sugar clearly stated there was excess refining capacity in Eastern Canada, there are indications that one or perhaps two additional refineries, controlled by new entrants into the sugar industry, may be brought into operation in 1973 or early 1974. At least one has been offered a substantial Federal Government grant to assist its development.

No information is available to the Company as to when it may expect the Government to introduce new legislation on sugar tariffs. As pointed out in last year's annual report any alteration in the principle of the present tariff structure could have serious consequences to the Canadian sugar refining industry. (See chart)

CONSTRUCTION MATERIALS AND BUILDING PRODUCTS

Daymond Limited

The work started two years ago in Daymond to rationalize plant locations, to update product lines and to introduce a planned management system, produced positive results in 1972. Sales were up 24 per cent over 1971 and the company made a positive contribution to earnings. The outlook for the company is definitely favourable.

The Calgary plant more than doubled its pipe extrusion capacity. Production of vinyl siding has commenced at the Centralia plant and early sales indicate good public acceptance on a national basis. A new facility in Baie d'Urfé to produce drainage pipe and other products is under construction and will be completed during December. This plant will have warehouse space for other Daymond products destined for the Quebec and Maritimes markets.

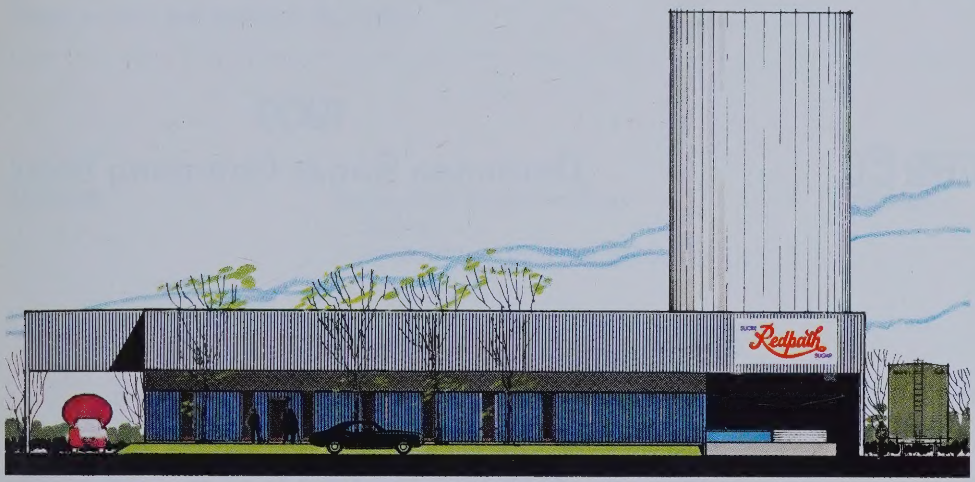
Canadian Mouldings, the aluminum division of Daymond Limited, is presently installing a new 1650 ton aluminum press at its Chatham plant.

Effective October 1, 1972 Trenchless Pipe Systems became a division of Daymond Limited. Trenchless equipment was approved this fall by the Government of Quebec for use in land drainage installations.

Mr. J. A. Swan, formerly general manager of manufacturing, became president of Daymond Limited in March 1972.

Certain-teed/Daymond

This joint venture in the U.S.A. had a difficult year. Poor weather conditions reduced the amount of time available for land drainage installations and, as a result, sales fell below expectation. A serious fire at the Iowa plant destroyed a considerable quantity of finished



Architect's drawing of new Chatham Redpath liquid sugar plant.

pipe inventory. This loss was only partly covered by insurance. Two new plants, one in Geneva, New York, the other in Lawrenceville, Illinois, started production during the year. Management is optimistic this venture will produce satisfactory results.

Multi Fittings Limited

The name of Anvil Plastics Limited was changed to Multi Fittings Limited during the year in keeping with the agreement reached when the company was acquired in 1971. Markets for its plastic fittings in both Canada and United States continued to expand, and a new plant of 150,000 square feet was completed at London, Ontario to house increased production facilities.

Mr. James E. McEwen, vice president and general manager, was named president during the year.

London Plastics Machinery Ltd., a new company formed by Multi Fittings Limited will design and manufacture injection moulding machinery for sale to companies using injection equipment.

Gienow Limited

Demand for Gienow products increased substantially during the year in line with increased construction of mobile homes, travel trailers and residential housing. The company moved into a new 55,000 square foot plant in Calgary in August. The name of the company was changed from Gienow Sash & Door Co. Ltd. to Gienow Limited. The company completed the move to new premises without serious interruption to customers, and profits for the year met expectations.

Cello Bags Limited

Cello Bags increased sales during the year but the company suffered a loss. New equipment and product line rationalization are expected to improve results. Mr. P. R. Baker was appointed president in January 1972 on the retirement of Mr. W. H. Bratt.

APPOINTMENTS

The resignation of Mr. G. E. Ellsworth because of health reasons was regretfully accepted by the Board. Mr. Ellsworth had been a member of the Board of Directors since 1959.

Mr. J. O. Whitmee, president, and a director since 1960, also submitted his resignation during the year because of poor health. Mr. Whitmee contributed significantly to the development of the Company and his guidance, understanding and advice will be greatly missed by his colleagues.

Mr. H. S. Tate, who succeeded Mr. Whitmee as president, resigned at the end of September on assuming new executive responsibilities with Tate and Lyle. Mr. Tate was instrumental in leading the Company in the adoption of modern management techniques and directing it to more diversified activities. Fortunately he remains as a director.

Mr. R. L. Henry, executive vice-president of Wire Rope Industries of Canada Ltd. was appointed to fill the vacancy created by the resignation of Mr. Ellsworth. Mr. Henry's extensive experience in the construction industry in Canada and the U.S. will be of great value.

Mr. David A. Tate, a director of Tate and Lyle, Limited, was appointed to fill the vacancy created by Mr. Whitmee's resignation. Mr. Tate has previously served the C & D organization and is familiar with the Company's operations and more importantly, its people. He will be a valuable addition to the Board.

APPRECIATION

As the Company grows it must and does rely more than ever on its people. Though not shown on the Balance Sheet, they are its most important asset. The directors express sincere thanks to all employees for their loyal and effective service which has made such a substantial contribution to the success of the Company.

On behalf of the Board

George B. Foster

Chairman

1854

CANADA SUGAR REFINERY

1901

WALLACEBURG SUGAR COMPANY LIMITED

1870

CANADA SUGAR REFINING CO. LIMITED

1909

Dominion Sugar Company Limited

1930

CANADA AND DOMINION SUGAR COMPANY LIMITED

1973

Redpath Industries Limited*

Subsidiaries and Divisions

Redpath Sugars Limited

Daymond Limited

Cello Bags Limited

Gienow Limited

Multi Fittings Limited

Chatham-Wallaceburg Land Development Division

Trenchless Pipe Systems Division

Agricultural Consulting Services Division

***Subject to approval by shareholders, at meeting Jan. 9, 1973**

Consolidated Statements of Income and Retained Earnings

Year ended September 30, 1972

		1972	1971
Income	Sales and other income:		
	Sales	**$103,247,000**	$85,018,000
	Investment income (note 2)	**569,000**	692,000
		103,816,000	85,710,000
	Deduct:		
	Cost of sales	**84,454,000**	67,128,000
	Selling, distribution and administrative expenses	**11,416,000**	10,086,000
	Interest — long-term debt	**192,000**	224,000
	— other	**499,000**	258,000
		96,561,000	77,696,000
		7,255,000	8,014,000
	Income taxes	**3,300,000**	3,725,000
	Income before extraordinary item	**3,955,000**	4,289,000
	Profit on purchase of sinking fund debentures	**—**	51,000
	Net income	**$ 3,955,000**	$ 4,340,000
	Earnings per share:		
	Income before extraordinary item	**$2.55**	$2.77
	Net income	**$2.55**	$2.80
Retained earnings	Balance beginning of year	**$ 25,972,000**	$24,422,000
	Net income	**3,955,000**	4,340,000
		29,927,000	28,762,000
	Dividends paid	**2,790,000**	2,790,000
	Balance end of year	**$ 27,137,000**	$25,972,000

See accompanying notes

Consolidated Balance Sheet
September 30, 1972

		1972	1971
Assets	Current:		
	Cash	**$ 464,000**	$ 142,000
	Accounts receivable	**12,370,000**	10,874,000
	Inventories (note 1)	**26,702,000**	26,593,000
	Deferred income taxes	**1,218,000**	655,000
	Prepaid expenses	**647,000**	574,000
	Total current assets	**41,401,000**	38,838,000
	Investments (note 2)	**13,390,000**	12,470,000
	Property, plant and equipment (note 3)	**34,705,000**	32,913,000
	Premium paid on acquisition of businesses	**327,000**	327,000
		$89,823,000	$84,548,000

On behalf of the Board:
G. B. Foster, Director
N. M. Shaw, Director

		1972	1971
Liabilities	Current:		
	Short-term notes	**$10,211,000**	$ 3,830,000
	Accounts payable and accrued charges (note 7)	**19,811,000**	19,279,000
	Income taxes payable	**435,000**	3,155,000
	Total current liabilities	**30,457,000**	26,264,000
	Long-term debt (note 4)	**3,337,000**	3,730,000
	Deferred income taxes	**6,860,000**	6,550,000
Shareholders' equity			
	Capital stock:		
	Authorized — 3,000,000 shares of no par value		
	Issued — 1,550,000 shares	**14,800,000**	14,800,000
	Appraisal increment (note 3)	**6,232,000**	6,232,000
	Contributed surplus	**1,000,000**	1,000,000
	Retained earnings	**27,137,000**	25,972,000
		49,169,000	48,004,000
		$89,823,000	$84,548,000

See accompanying notes

Consolidated Statement of Source and Use of Funds

Year ended September 30, 1972

		1972	1971
Source of Funds	Operations:		
	Net income for the year	**$ 3,955,000**	$ 4,340,000
	Depreciation and amortization	**2,439,000**	2,101,000
	Deferred income taxes	**310,000**	(371,000)
	Funds provided by operations	**6,704,000**	6,070,000
	Disposal of property, plant and equipment	**696,000**	327,000
		7,400,000	6,397,000
Use of Funds	Investment in:		
	Subsidiaries, net of working capital acquired		2,056,000
	Affiliated company	**525,000**	392,000
	Other	**395,000**	(275,000)
	Additions to property, plant and equipment	**4,927,000**	2,020,000
	Payment of dividends	**2,790,000**	2,790,000
	Retirement of long-term debt	**393,000**	509,000
		9,030,000	7,492,000
Working Capital	Decrease	**1,630,000**	1,095,000
	Balance beginning of year	**12,574,000**	13,669,000
	Balance end of year	**$10,944,000**	$12,574,000

See accompanying notes

Notes to Consolidated Financial Statements
September 30, 1972

1. Inventories:

	1972	1971
Raw materials, work in process and finished goods —		
Sugar	**$21,477,000**	$21,194,000
Construction materials	**3,548,000**	3,688,000
Other products	**197,000**	196,000
	25,222,000	25,078,000
Manufacturing and maintenance supplies	**1,480,000**	1,515,000
	$26,702,000	$26,593,000

A fixed quantity of 50,000 long tons of raw sugar equivalent has been valued each year at a basic price of $78 per ton, which is less than the market value. The balance of the sugar inventory and the other categories are valued at the lower of cost and market.

2. Investments:

	1972	1971
Affiliated company	**$12,619,000**	$12,094,000
Other, at the lower of cost and estimated realizable value	**771,000**	376,000
	$13,390,000	$12,470,000

The investment in affiliated company is carried at cost less amounts written off. At September 30, 1972 the company's interest in the underlying equity exceeded the carrying value by $110,000. At September 30, 1971 the carrying value exceeded the underlying equity by $240,000.

Investment income includes dividends of $525,000 (1971-$575,000) from affiliated company.

3. Property, plant and equipment:

			1972	1971
	Investment	Accumulated depreciation and amortization	**Net investment**	Net investment
Property	$ 3,504,000		**$ 3,504,000**	$ 3,220,000
Plant	20,096,000	$ 8,104,000	**11,992,000**	11,127,000
Equipment	38,848,000	19,639,000	**19,209,000**	18,566,000
	$62,448,000	$27,743,000	**$34,705,000**	$32,913,000

Property, plant and equipment is stated at appraised replacement cost at October 1, 1961, with subsequent additions at cost, except for assets not in use which are carried at their estimated realizable value. The net investment at year end in plant and equipment includes approximately $4,000,000 which will not be an allowable deduction for tax purposes.

4. Long-term debt:

	1972	1971
5% sinking fund debentures due July 15, 1978	**$2,771,000**	$2,816,000
5% serial debentures repayable $84,000 annually to December 15, 1974	**253,000**	338,000
7½% mortgage repayable $70,000 including interest, annually to October 17, 1976	**257,000**	354,000
Other	**349,000**	521,000
	3,630,000	4,029,000
Less portion due within one year included in accounts payable and accrued charges	**293,000**	299,000
	$3,337,000	$3,730,000

Long-term debt repayments and sinking fund requirements during the four years subsequent to September 1973 are approximately as follows:

1974 $183,000; 1975 $183,000; 1976 $74,000; 1977 $36,000.

5. Commitments:

Commitments for the acquisition of property, plant and equipment aggregate approximately $1,000,000.

6. Statement presentation:

The 1971 comparative figures have been restated to conform with the presentation adopted in the current year.

7. Additional information:

(a) Amounts due to affiliated companies of $4,487,000 (1971-$844,000) are included in accounts payable and accrued charges.

(b) Sales by class of business were as follows:

	1972		1971	
	Amount	**%**	Amount	%
Sugar refining	**$ 81,930,000**	**79.4**	$69,573,000	81.8
Construction materials	**19,789,000**	**19.2**	13,901,000	16.4
Other products	**1,528,000**	**1.4**	1,544,000	1.8
	$103,247,000	**100.0**	$85,018,000	100.0

(c) The aggregate remuneration of the company's twelve directors and nine officers, in those capacities, was $19,000 and $325,000 respectively. Five officers served on the Board of Directors during the year.

Auditors' Report

To the Shareholders of
Canada and Dominion Sugar
Company Limited:

We have examined the consolidated balance sheet of Canada and Dominion Sugar Company Limited and its subsidiaries as at September 30, 1972 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

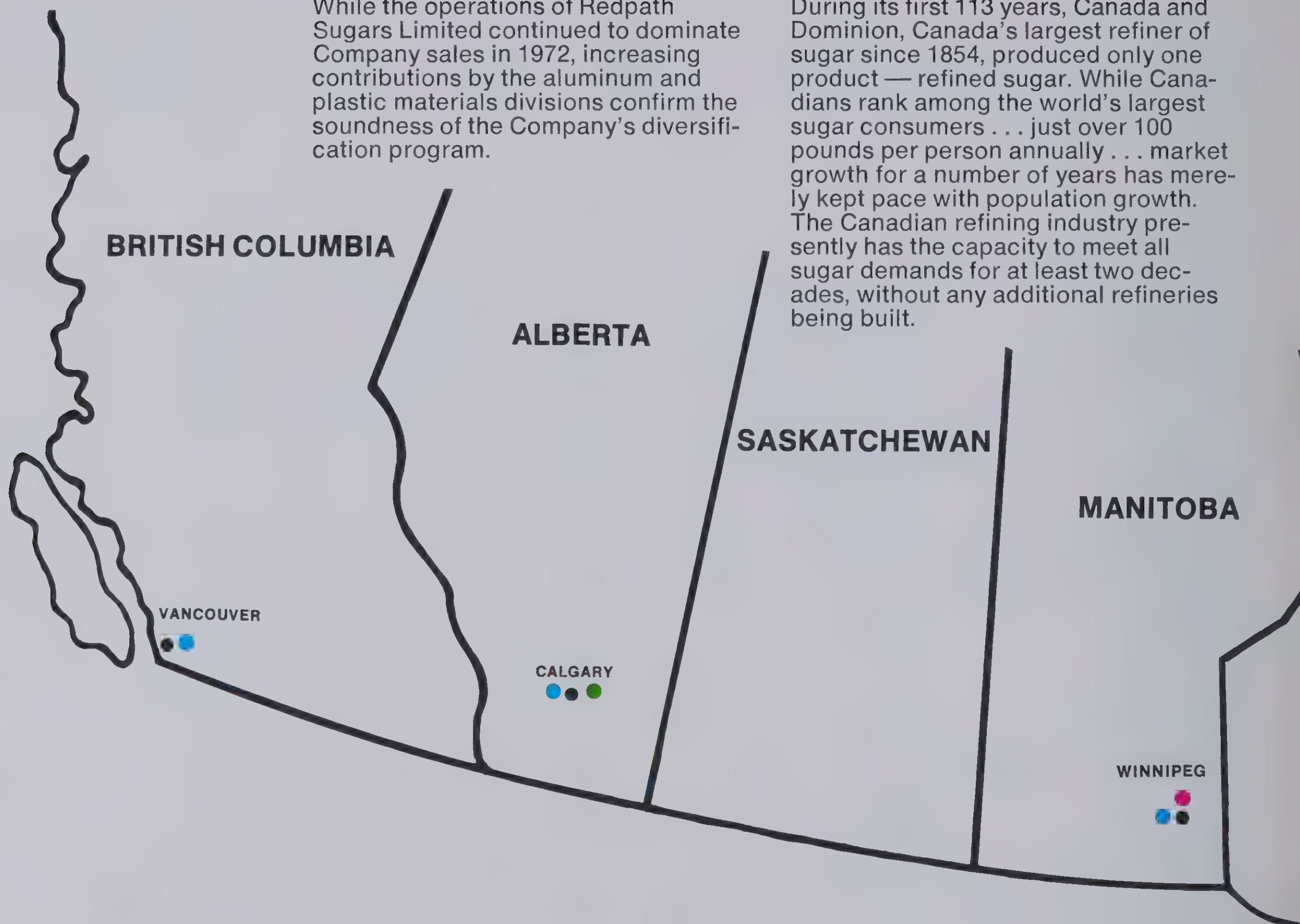
Montreal, Canada,
November 9, 1972.

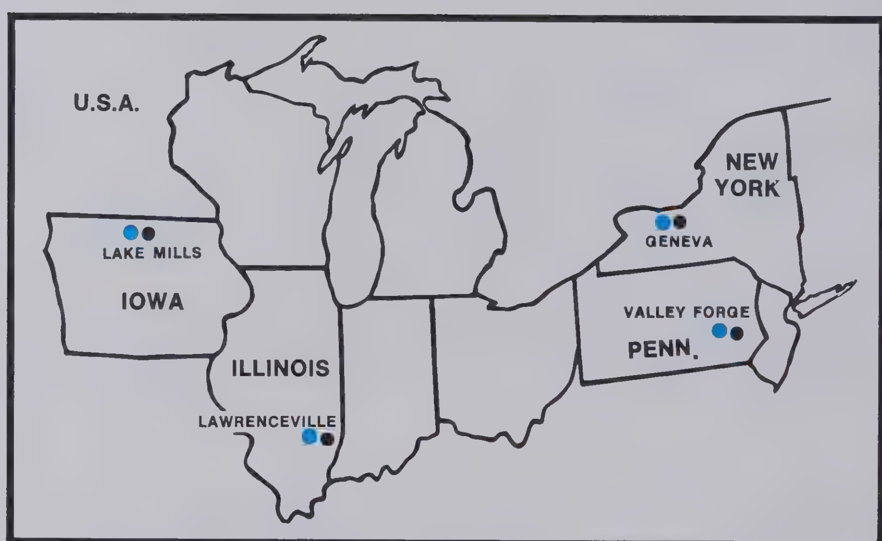
Canada and Dominion Sugar Company Limited

Growth Through Diversification

While the operations of Redpath Sugars Limited continued to dominate Company sales in 1972, increasing contributions by the aluminum and plastic materials divisions confirm the soundness of the Company's diversification program.

During its first 113 years, Canada and Dominion, Canada's largest refiner of sugar since 1854, produced only one product — refined sugar. While Canadians rank among the world's largest sugar consumers . . . just over 100 pounds per person annually . . . market growth for a number of years has merely kept pace with population growth. The Canadian refining industry presently has the capacity to meet all sugar demands for at least two decades, without any additional refineries being built.

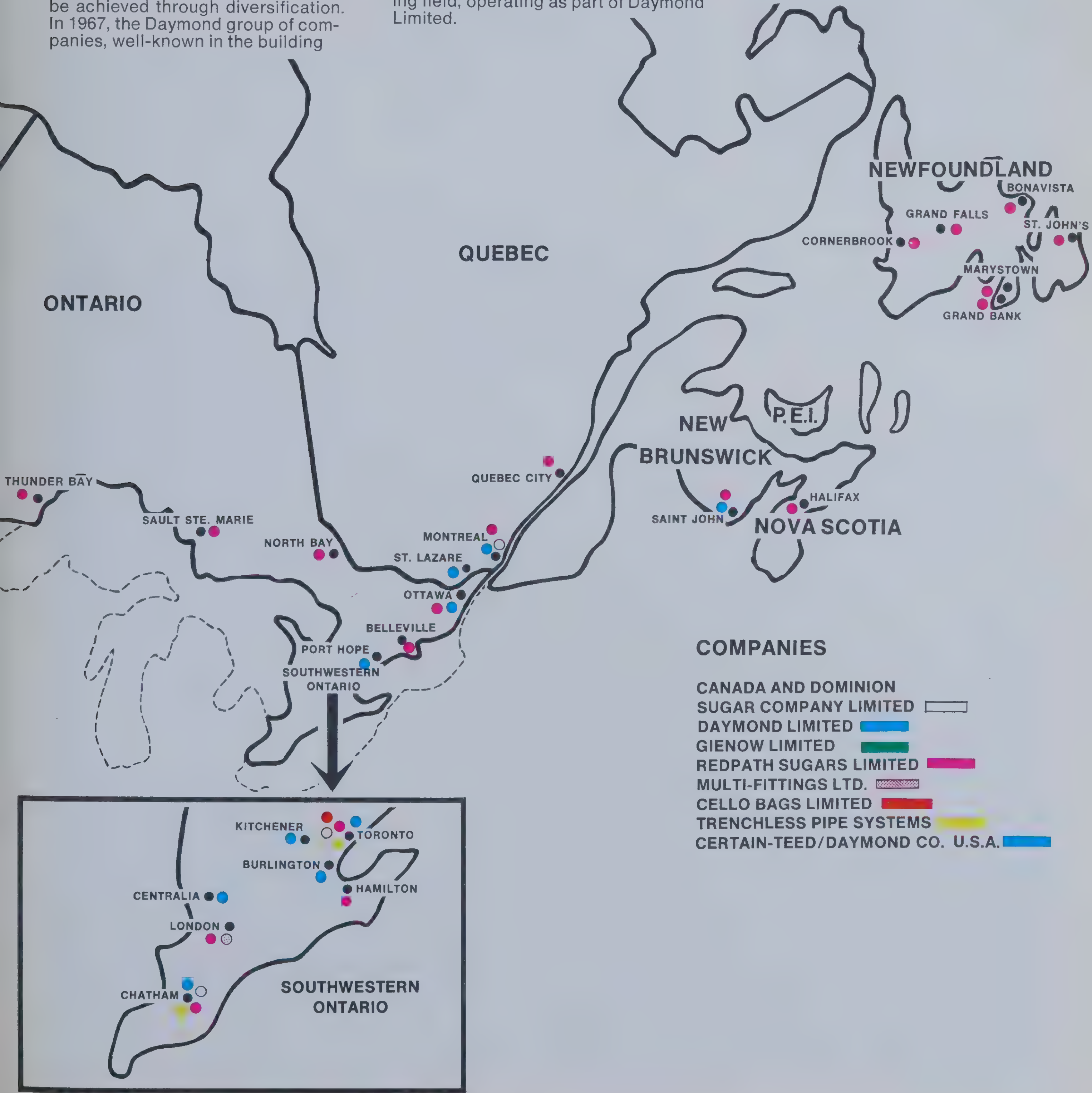




Canada and Dominion, over the years, had made substantial investments in a company outside Canada. This company complemented the sugar business; it owns ships for handling bulk cargoes, including sugar, and acted as a sugar broker.

It was evident to C. & D. in 1966 that any acceleration of growth could best be achieved through diversification. In 1967, the Daymond group of companies, well-known in the building products field, was acquired. Since then, seven other divisions or subsidiaries have become important segments of the overall operations of the Company. Three are allied with the building products field; two are involved in land drainage; a sixth is in the flexible packaging business; the seventh is in the land development and home building field, operating as part of Daymond Limited.

In 1967, total Company sales were $45,631,000, all derived from sugar operations. In 1971, sales totalled $85,018,000, with over 18 per cent, or $15,445,000, contributed by the non-sugar segments. During the year under review, sales reached $103,247,000, with non-sugar operations accounting for 20.6 per cent.



Growth Through Diversification

This increased growth in the non-sugar segment was accomplished through the expansion of markets for existing products, as well as through the introduction of new products. To keep pace with the increased demand, major expansions of production facilities were necessary during the year.

Daymond's growth continued to be linked closely with its plastic operations. The steadily growing acceptance of plastic pipe products by the agriculture and construction industries, resulted in the construction of a new plant at Baie d'Urfé, a suburb of Montreal. This expansion will replace the facility at St. Lazare, Quebec, which could not adequately serve the Quebec, Eastern Ontario and Atlantic markets. It will also provide for production of additional plastic products in Quebec.

Additional production capacity was also added in Calgary and at the Huron Industrial Park plant, near Centralia, Ontario.

Daymond entered the growing market for vinyl siding for residential housing during the year with production being carried out at Centralia.

Multi Fittings Limited, formerly Anvil Plastics and acquired by Canada and Dominion during 1971, experienced a substantial growth in sales for its plastic fittings, both in Canada and the United States. In 1972, the company moved into a new 150,000 square foot plant, built at a cost of $1,250,000. Located in suburban London, Ontario, it is one of the largest and most modern injection moulding plants in Canada. Multi Fittings distributes its products through pipe manufacturers and other wholesalers, principally for use in residential and municipal construction in Canada and the United States.

Gienow Limited, also acquired in 1971, is a major supplier of components to a broad range of manufacturers producing recreational vehicles and transportable homes, as well as to the industrial and traditional residential building markets. Aluminum doors, windows and other essential components, bearing the Gienow name, today are found not only in Canada but in Alaska, the Middle East, at the South Pole, in Asia, and many other areas of the world.

With headquarters in Calgary, this company also experienced growth conditions exceeding the production facilities available and, in August of 1972, it moved into a new 55,000 square foot plant, built at a cost of half a million dollars.

Top: Construction proceeds on Daymond's new plastic plant at Baie d'Urfé in Montreal area.

Centre: One of two new plants opened by Certain-teed/Daymond Company during 1972.

Bottom left: The new 55,000 square foot plant of Gienow Limited, Calgary, Alberta.

Bottom right: The 150,000 square foot plant, built in 1972 by Multi Fittings Limited, London, Ontario.

Daymond, Multi Fittings and Gienow are suppliers to the building industry, but another segment of Canada and Dominion is directly involved in land development and residential construction. When the sugar beet processing plants in Wallaceburg and Chatham were closed, considerable company-owned acreage became surplus to the manufacturing and processing operations of the company. It was decided to launch, through Daymond Limited, a program to convert these properties to other uses.

The Chatham development, involving some 114 acres, was started in 1970 with plans for a potential 350 single family dwellings plus apartments. The initial phase included the building of 30 homes of which 26 have been constructed. The second phase, of a similar nature, commenced this fall.

The Wallaceburg project has been delayed by zoning problems, but approval has now been received for the construction of a shopping centre, expected to be ready for use early in 1973. This will use about 20 acres of the land, leaving approximately 100 acres for further commercial and industrial development.

The decision to convert the surplus land holdings in Chatham into a housing development provided the opportunity to demonstrate the potential of another phase of the Company's diversification, the Badger system for the trenchless installation of services in a residential subdivision.

The rights to this unique system for Canada and other countries around the world were acquired in 1969 as a means of expanding the market for extruded plastic pipes and conduit produced by Daymond. Since its introduction, the Badger system has made its greatest progress in the area of agricultural drainage, using flexible plastic pipe manufactured by Daymond for this purpose.

Trenchless Pipe Systems, a division of Canada and Dominion, has introduced the installation process in Ontario, Quebec and British Columbia and, during 1972, Manitoba . . . everywhere with outstanding success. Badger Minor equipment now is being marketed throughout Canada, either on an outright purchase or lease basis.

Top: Badger Minor demonstrated for Quebec Government officials.
Right: Interior view of new Gienow Limited plant, Calgary.
Lower left: Injection moulded plastic fittings inspected at Multi Fittings plant, London, Ontario.
Lower right: Extruder plastic pipe ready for shipment from Daymond Limited, Centralia.

Growth Through Diversification

Top: Calgary house, (left) finished with Daymond vinyl siding made at Centralia plant (right).
Second row: Chatham housing development (left). Plastic fittings, made by Multi Fittings in London (centre) installed in Texas (right) by Gifford Hill Pipe Company.
Bottom: Trenchless Pipe Systems International installs drainage in Nile Delta (top) and Gienow products (below) included in Atco mobile unit used in North Slope Arctic exploration.

Trenchless Pipe Systems International, formed to promote the system in other countries, has conducted studies in the Caribbean, the Middle East and Australia. Recently, a major agricultural drainage demonstration, involving some 5,000 acres, was carried out in the Nile Delta under the auspices of the Government of Egypt and the World Bank. This may set the pattern for other international applications.

The success of Daymond plastic pipe products in Canada led to a further diversification by Canada and Dominion through the formation of Certain-teed/Daymond Co., to market these products in the United States. Certain-teed Products Corporation is a major manufacturer of building materials in the United States. This joint venture opened its first plant in Lake Mills, Iowa, in August of 1971. Two additional plants commenced production in key U.S. agricultural areas during 1972.

Canada and Dominion entered the flexible plastic packaging field in 1970 with the acquisition of Cello Bags Limited. Two factors contributed to this move: Canada and Dominion and Daymond are significant users of flexible packaging and, through Daymond, had an existing association with plastic extrusion.

Although small compared to the size of many other companies in the Canadian packaging industry, Cello Bags is advantageously located in relation to Toronto, the principal market in Canada for flexible packaging. This is the fastest growing segment of the packaging industry.

Cello Bags provides an integrated service of extrusion, printing and bag-making and sales have increased steadily over the last three years, reaching a new high in the year under review. Additional extrusion facilities were acquired during the year and a new high speed six-colour printing press has been ordered and will be in operation early in 1973. This will enable Cello Bags to offer better service to present customers, as well as entering more sophisticated markets not now available to it.

Today, five years after embarking on a program of diversification, Canada and Dominion has a solid record of progress. Diversification today accounts for almost 20 per cent of its total sales volume. On the basis of results to date, the future will see diversification playing an even greater role in the continued successful operation of the Company.

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